



Communications & Liaison
STAKEHOLDER LIAISON

Tax Changes from a Forms Perspective: Tax Year 2021

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Tax Changes from a Forms Perspective Tax Year 2021

Objectives

- Knowledge of major income tax changes for individual taxpayers for tax year 2021
- Knowledge of major employment tax changes for tax year 2021
- Knowledge of major tax form changes from 2020 to 2021
- Knowledge of new tax forms for tax year 2021
- Knowledge of tax products available for limited English proficiency (LEP) taxpayers



Tax Changes from a Forms Perspective Tax Year 2021

Information on Changes to Tax Forms

- Drafts of tax forms, instructions, and some publications are posted at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) before the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- 500+ “Product pages” ([IRS.gov/Form1040](https://www.irs.gov/Form1040), [IRS.gov/W4](https://www.irs.gov/W4), etc.) provide links and show any changes that impact the product after its initial final release; those changes are also at [IRS.gov/FormChanges](https://www.irs.gov/FormChanges)
- All revisions of all tax products can be viewed and downloaded at [IRS.gov/AllForms](https://www.irs.gov/AllForms)



Tax Changes from a Forms Perspective Tax Year 2021

Recent Tax Laws

- Consolidated Appropriations Act, 2021
 - PL 116-260
 - Enacted December 27, 2020
- American Rescue Plan Act (ARP)
 - PL 117-2
 - Enacted March 11, 2021



Tax Changes from a Forms Perspective Tax Year 2021

Consolidated Appropriations Act, 2021

- Division N – COVID-related Tax Relief Act of 2020
- Division EE – Taxpayer Certainty and Disaster Tax Relief Act of 2020



Tax Changes from a Forms Perspective Tax Year 2021

Taxpayer Certainty and Disaster Tax Relief Act of 2020

- Reduction in medical expense deduction floor
- Increase maximum adjusted gross income for the Lifetime Learning Credit
- Temporary full deduction for certain business meals
- Charitable contributions deductible by non-itemizers
- Temporary carryover/extended claims period for health FSAs and dependent care assistance programs



Tax Changes from a Forms Perspective Tax Year 2021

Extenders

- Energy-related provisions
 - Nonbusiness energy property
 - Alternative fuel vehicle refueling property credit
 - Energy efficient homes credit
- Mortgage insurance premiums as qualified residence interest
- Exclusion for discharge of qualified principal residence debt
- Health coverage tax credit



Tax Changes from a Forms Perspective Tax Year 2021

Disaster Tax Relief

- Special rule for use of retirement funds
- Special casualty loss rules
- Employee retention credit for employers affected by disaster



Tax Changes from a Forms Perspective Tax Year 2021

American Rescue Plan

- Enhanced credits:
 - Child Tax Credit
 - Child and Dependent Care Credit
 - Earned Income Credit
 - Premium Tax Credit
- Recovery Rebate Credit



Tax Changes from a Forms Perspective Tax Year 2021

Child and Dependent Care Credit

- Dollar limit amount increased to \$8,000 for one qualifying person and \$16,000 for two or more qualifying persons.
- Increased credit rate and income phaseout amounts
- Refundable in 2021 for most taxpayers
- Increased the maximum exclusion amount for employer-provided dependent care benefits to \$10,500



Tax Changes from a Forms Perspective Tax Year 2021

Child Tax Credit

- Extended qualifying child to under age 18
- Credit increase to \$3,000 per child (\$3,600 for under age 6)
- New phaseout amount for additional credit amounts
- Refundable in 2021 for most taxpayers
- Creates an advanced child tax credit payment



Tax Changes from a Forms Perspective Tax Year 2021

Earned Income Tax Credit

- Expansion for taxpayers with no qualifying children
- Increase investment income to \$10,000
- Rules for separated spouses
- Use of 2019 earned income for 2021 calculation



Tax Changes from a Forms Perspective Tax Year 2021

Premium Tax Credit

- Revised applicable percentage table
- Eliminates the limitation that household income may not exceed 400% of Federal Poverty Line (FPL)
- Special rules in 2021 for unemployment compensation recipient



Tax Changes from a Forms Perspective Tax Year 2021

Employment Tax Changes

- Extension and modification of employee retention credit
- Sick and family leave credit
- COBRA premium assistance credit



Tax Changes from a Forms Perspective Tax Year 2021

Major tax form changes

- Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents
- Form 461, Limitation of Business Losses
- Form 2441, Child and Dependent Care Expenses
- Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals
- Form 8962, Premium Tax Credit



Tax Changes from a Forms Perspective Tax Year 2021

Form 1040, U.S. Individual Income Tax Return

- Line for standard deduction or itemized deduction expanded:
 - Line 10b is now line 12b for charitable contributions if taxpayer take standard deduction
- Line for earned income credit expanded:
 - Line 27b added for nontaxable combat pay election
 - Line 27c added for prior year (2019) earned income



Tax Changes from a Forms Perspective Tax Year 2021

Schedule 1 (Form 1040), Additional Income and Adjustment to Income

- Line for other income expanded:
 - Line 8 has been expanded to lines 8a to 8p and 8z
 - Added line 9 for total other income
- Added new lines in Part II:
 - Added line 23 for Archer MSA deduction
 - Lines 24a to 24k and 24z added for Other Adjustments
 - Added line 25 for total other adjustments



Tax Changes from a Forms Perspective Tax Year 2021

Schedule 2 (Form 1040), Additional Taxes

- Line for unreported social security and Medicare tax expanded
- Prior line 8 expanded to provide a separate line for each form
- Line for other additional taxes expanded:
 - Lines 17a to 17q and 17z added for other taxes
 - Added line 18 for total additional taxes
- Added line 19 for additional tax from Schedule 8812



Tax Changes from a Forms Perspective Tax Year 2021

Schedule 3 (Form 1040), Additional Credits and Payments

- Line for other nonrefundable credits expanded
 - Lines 6a to 6l and 6z added for other nonrefundable credits
 - Added line 7 for total other nonrefundable credits
- Line for other payment and refundable credits expanded
 - Lines 13d – 13h added or repurposed
 - Line 13z added for other payments and refundable credits
- Added line 14 for total other payment and refundable credits



Tax Changes from a Forms Perspective Tax Year 2021

New Products List

- Form 9000, Alternative Media Preference
- Schedule K-2 (Form 1065, 1120-S and 8865)
- Schedule K-3 (Form 1065, 1120-S and 8865)
- Schedule B (Form 1116), Foreign Tax Carryover Reconciliation Schedule
- Schedule C (Form 1116), Foreign Tax Redeterminations



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- Schedule C (Form 1116), Foreign Tax Redeterminations



Tax Changes from a Forms Perspective Tax Year 2021

New Products List

- Form 8453-TE, Tax Exempt Entity Declaration and Signature for Electronic Filing
- Form 8879-TE, IRS e-file Signature Authorization for a Tax Exempt Entity



Tax Changes from a Forms Perspective Tax Year 2021

Tax Products Available for LEP Taxpayers

- Publication 17 is now available in multiple languages:
 - Chinese (Simplified)
 - Chinese (Traditional)
 - Korean
 - Russian
 - Spanish
 - Vietnamese



Tax Changes from a Forms Perspective Tax Year 2021

Additional Resources

- [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus), [IRS.gov/EmploymentTaxes](https://www.irs.gov/EmploymentTaxes)
- [IRS.gov/DraftForms](https://www.irs.gov/DraftForms), [IRS.gov/AllForms](https://www.irs.gov/AllForms)
- [IRS.gov/FormChanges](https://www.irs.gov/FormChanges), [IRS.gov/FormsUpdates](https://www.irs.gov/FormsUpdates)
- FAQs (links at [IRS.gov/Form941](https://www.irs.gov/Form941) and [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus))
- [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage)



Get Ready for Taxes

[IRS.gov/getready](https://www.irs.gov/getready)

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Steps to Take Now to Get a Jump on 2021 Taxes

Gather and organize tax records

- Notify the IRS if their address changes and notify the Social Security Administration of a legal name change
- Recordkeeping for individuals includes:
 - Forms W-2 from employer(s)
 - Forms 1099 from banks, issuing agencies and other payers including unemployment compensation, dividends, distributions from a pension, annuity or retirement plan
 - Form 1099-K, 1099-MISC, W-2 or statement for gig economy workers
 - Form 1099-INT for interest received
 - Other income documents and records of virtual currency transactions
 - Letter 6419, 2021 Total Advance Child Tax Credit Payments
 - Letter 6475, Your 2021 Economic Impact Payment
 - Form 1095-A, Health Insurance Marketplace Statement



Steps to Take Now to Get a Jump on 2021 Taxes

View Your Account Online

- Individuals who have not set up an online account yet should act soon to create an account.
- People who have already set up an online account should make sure they can still log in successfully.
- Find help at How to Register for Certain Online Self-Help Tools.
- If they're unable to verify their identity online, there's a mail option they can use, but that takes longer.



Steps to Take Now to Get a Jump on 2021 Taxes

Make sure you've withheld enough tax

- Check withholding – life changes
- Submit W-4 to employer
- Last estimated tax payment for 2021 due on Jan. 18, 2022
- Log in to their online account to make a payment online or go to [IRS.gov/payments](https://www.irs.gov/payments).



Steps to Take Now to Get a Jump on 2021 Taxes

Check Individual Tax Identification Numbers

- An ITIN only needs to be renewed if it has expired and is needed on a U.S. federal tax return.
- If your ITIN wasn't included on a U.S. federal tax return at least once for tax years 2018, 2019, and 2020, your ITIN will expire on December 31, 2021.
- If you previously submitted a renewal application and it was approved, you do not need to renew again.



Steps to Take Now to Get a Jump on 2021 Taxes

Get banked to speed tax refunds with direct deposit

- Fastest way to get your tax refund is by filing electronically and choosing direct deposit.
- Don't have a bank account? Learn how to open an account at an FDIC-Insured bank or through the National Credit Union Locator Tool.
- If you are a Veteran, see the Veterans Benefits Banking Program (VBBP) for access to financial services at participating banks.



Steps to Take Now to Get a Jump on 2021 Taxes

What's new and what to consider when you file in 2022

Reconcile advance Child Tax Credit payments

- Compare the advance Child Tax Credit payments that you received during 2021 with the amount of the Child Tax Credit that you can properly claim on your 2021 tax return.
- If you received less than the amount that you're eligible for, you'll claim a credit for the remaining amount.
- If you received more than the amount that you're eligible for, you may need to repay some or all of that excess payment when you file.
- In January 2022, the IRS will send you Letter 6419 to provide the total amount of 2021 advance Child Tax Credit.



Steps to Take Now to Get a Jump on 2021 Taxes

What's new and what to consider when you file in 2022

Claim Recovery Rebate Credit

- Individuals who didn't qualify for third Economic Impact Payments or did not receive the full amount may be eligible for the Recovery Rebate Credit based 2021 tax situation.
- If you're eligible, you'll need to file a 2021 tax return even if you don't usually file to claim 2021 Recovery Rebate Credit.
- You will need the amount of third Economic Impact Payments received to calculate 2021 Recovery Rebate Credit amount using the 2021 RRC Worksheet or tax preparation software.
- In early 2022, the IRS will send Letter 6475 with the total amount of the third Economic Impact Payments.



Steps to Take Now to Get a Jump on 2021 Taxes

What's new and what to consider when you file in 2022

Avoid processing delays and understand refund timing

- Refunds for people claiming the Earned Income Tax Credit or Additional Child Tax Credit can't be issued before mid-Feb.
- Some returns, filed electronically or on paper, may need manual review delaying the processing if:
 - our systems detect a possible error,
 - it is missing information, or
 - there is suspected identity theft or fraud
- This requires special handling by an IRS employee so it may take more than 21 days to issue any related refund.



Steps to Take Now to Get a Jump on 2021 Taxes

Additional Resources

[Publication 5533, Why You Should Create an IRS Online Account](#)

[Publication 5533-A, How to Submit Authorizations Using Tax Pro Account and Online Account](#)

[Publication 5136, IRS Services Guide](#)
Shows where to find help on IRS.gov

[IRS.gov/getready](https://www.irs.gov/getready)



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Employee Retention Credit

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Employee Retention Credit

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
- Relief Act of 2020
- American Rescue Plan (ARP) of 2021



Employee Retention Credit

March 13, 2020, through
December 31, 2020

A fully refundable tax credit for employers equal to 50 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.

January 1, 2021, through
December 31, 2021

A fully refundable tax credit for employers equal to 70 percent of qualified wages (including certain health plan expenses) that Eligible Employers pay their employees.



Eligible Employer

Carrying on a trade or business that:

1. Was fully or partially suspended by government order due to COVID-19 (2020 or 2021)
2. Gross Receipts Test:
 - For 2020, a significant decline in gross receipts (defined as period beginning with calendar quarter in which gross receipts are less than 50 percent of gross receipts in the same calendar quarter in 2019 and ending in the calendar quarter after the first calendar quarter in which gross receipts are greater than 80 percent of gross receipts in the same calendar quarter in 2019).
 - For 2021, a decline in gross receipts (defined as quarter in which gross receipts are less than 80 percent of the same calendar quarter in 2019).
3. Recovery startup business (3rd & 4th quarter 2021)
 - Self-employed individuals are not eligible for their own services and earnings
 - Household Employers are not eligible for the employee retention credit with respect to their household employees



Qualified Wages

For 2020:

Employers with 100 or less FT employees:

- Credit based on wages paid to *all* employees, regardless of whether they provided services

Employer with more than 100 FT employees:

- Credit is based on wages paid only to employees who did not provide services due to a suspension or decline in gross receipts

For 2021:

- The threshold changed to 500 or less FT employees or more than 500 FT employees
- Severely financially distressed employer
 - Credit is based on wages paid to all employees



Claiming the credit

- Report qualified wages and credits for each calendar quarter on federal employment tax return.
- Tax credit may be claimed against the employer share of Social Security tax for wages paid 3/13/2020 – 6/30/2021 and against employer share of Medicare tax for wages paid 7/1/2021-12/31/2021.
- Tax credit is refundable, and the employer may reduce employment tax deposits in anticipation of the credit.
- If credit exceeds payroll deposits, small employers may request an advance refund per Form 7200, Advance Payment of Employer Credits Due To COVID-19.



Impact of other credit provisions

Small Business Loan – Paycheck Protection Program (PPP)

Retroactive to the March 27, 2020, enactment of the CARES Act, the law now allows employers who received Paycheck Protection Program (PPP) loans to claim the ERC for qualified wages that are not considered as payroll costs in obtaining forgiveness of a PPP loan



Impact of other credit provisions – ARPA

Employer cannot claim the ERC for wages taken into account for purposes of the following grants:

- Shuttered Venue Operator Grant under section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act;
- Restaurant revitalization grants under section 5003 of the American Rescue Plan Act of 2021; or
- PPP loans



Impact of other credit provisions

- 41 Credit for increasing research activities
- 45A Indian Employment Credit
- 45P Employer wage credit for members of uniformed services
- 45S Employer credit for paid family and medical leave
- 51 Amount of credit (Amount of Work Opportunity Credit)
- 1396 Empowerment zone employment credit
- 3131 Credit for Paid Sick Leave
- 3132 Credit for Paid Family Leave
- Employee Retention Credit for Tax-Exempt Employers Affected by Qualified Disasters



Resources

<https://www.irs.gov/newsroom/new-law-extends-covid-tax-credit-for-employers-who-keep-workers-on-payroll>

[IRS provides guidance for employers claiming the Employee Retention Credit for first two quarters of 2021](#)

[FAQs: Employee Retention Credit under the CARES Act](#)

[Employers May Be Able to Claim the Employee Retention Credit and Have a PPP Loan](#)

[Form 7200, Advance Payment of Employer Credits Due to COVID-19](#)



Resources con't

[Notice 2021-20 - Guidance on the Employee Retention Credit under Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act](#)

[Notice 2021-23 - Guidance on the Employee Retention Credit under the CARES Act for the First and Second Calendar Quarters of 2021](#)

[About Form 941, Employer's Quarterly Federal Tax Return](#)
[Information about Form 941, Employer's Quarterly Federal Tax Return, including recent updates, related forms and instructions on how to file.](#)



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